

TARIFF ACTION MEMO

Date: February 14, 2022
Date Filed: January 19, 2022
Statutory End Date: February 18, 2022

File No.: TL62-668

Name of Utility: Kenai Beluga Pipeline, LLC

Subject: Revision of Tariff Sheet No. 82.1, Fuel and Lost and Unaccounted for Gas Retention Amount

Recommendation

Staff recommends the Commission:

1. Approve Tariff Sheet No. 82.1 filed on January 19, 2022, with an effective date of March 1, 2022. A side-by-side copy is attached as Schedule BKC-1.

Please see attached Staff Memorandum supporting the above recommendation.

Signed: Brenda Cox Title: Utility Financial Analyst
Brenda Cox

Commission decision regarding this recommendation:

	Date (if different from 2/14/22)	I Concur	I Do Not Concur	I Will Write A Dissenting Statement *
Pickett	_____	<u>RMP</u>	_____	_____
Kurber	_____	<u>KM</u>	_____	_____
Scott	_____	<u>AGS</u>	_____	_____
Sullivan	_____	<u>DS</u>	_____	_____
Wilson	_____	<u>JWA</u>	_____	_____

* If this column is initialed, Staff will contact the Commissioner for the statement; otherwise, the dissent will simply be noted at the close of the By Direction Letter Order

MEMORANDUM

To: Robert M. Pickett, Chairman
Keith Kurber II
Antony G. Scott
Daniel A. Sullivan
Janis W. Wilson

Date: February 14, 2022

From: Brenda Cox,
Utility Financial Analyst

Subject: Revision of Tariff Sheet No. 82.1, Fuel and Lost and Unaccounted for Gas Retention Amount

Recommendation

Staff recommends the Commission:

1. Approve Tariff Sheet No. 82.1 filed on January 19, 2022, with an effective date of March 1, 2022. A side-by-side copy is attached as Schedule BKC-1.

Background

Section 17¹ of Kenai Beluga Pipeline LLC's (KBPL) Tariff requires KBPL to retain from each shipper the volumes of gas determined on the basis of the applicable Fuel Retention (Fuel) amount and the lost and unaccounted for gas retention (LAUF) amount. The Fuel Retention amount is the amount of the shipper's pro rata responsibility for the gas used by KBPL in the operation of the pipeline system. The LAUF Retention amount is the shipper's pro rata share of volumes lost and unaccounted for in the operation of the pipeline system and is the amount by which measured pipeline system deliveries differ from the measured pipeline system receipts due to meter error, line loss, and similar causes.

On May 31, 2016, KBPL filed TL35-668, its revenue requirement study for the test year 2015; TL35-668 was suspended into Docket P-16-004(1).² On December 13, 2016,

¹ Section 17 is titled Fuel and Lost and Unaccounted for Gas Retention Amount.

² P-16-004 ORDER SUSPENDING TL35-668; ESTABLISHING TEMPORARY RATE, SUBJECT TO REFUND; APPROVING TARIFF SHEET; INVITING PARTICIPATION BY THE ATTORNEY GENERAL AND INTERVENTION; DESIGNATING COMMISSION PANEL; AND APPOINTING ADMINISTRATIVE LAW JUDGE, dated June 30, 2016.

KBPL filed a Settlement Agreement,³ which the Commission accepted on February 16, 2017.⁴ Section 11 of the Settlement Agreement addressed KBPL's inventory of unneeded retained fuel and required KBPL to make a one-time distribution of retained fuel in excess of its current and near term projected needs.⁵

On February 7, 2017, KBPL filed TL37-668, in which KBPL proposed to increase the Fuel retention of 0.00% to 0.15% and LAUF retention of 0.00% to 0.19% with an effective date of March 1, 2017. TL37-668 was not suspended into Docket P-16-004. On February 27, 2017, the Commission approved Tariff Sheet No.82, which included text on the tariff sheet that stated, "The rate is temporary and refundable, subject to resolution of issues in Docket P-16-004".⁶

On December 6, 2018, KBPL filed TL49-668, which amended Section 17 of its tariff. Substantive changes were made to Sections 17.3, 17.5, and 17.6.⁷

Section 17.3 changed the text and clarified that the shipper's responsibility is stated on Tariff Sheet 82.1 as a percentage of volumes. In addition, the Fuel and LAUF retention amounts may be stated as a single percentage.

Section 17.5 specifies, the Fuel and LAUF Retention Amounts are revised twice each year, at six-month intervals, effective each March 1 and September 1. Each January and June, KBPL will determine the Fuel use and LAUF experienced in the operation of the Pipeline System during the twelve (12) Months prior (January-December or July-June, as the case may be) (Base Period). As adjusted under Section 17.6, such actual historical Fuel and LAUF experience, applied to projected volumes, are used to calculate the Fuel and LAUF Retention Amounts to be retained from Shippers on and after the first day of the March or the September following the end of the applicable Base Period. Semi-annual revisions are filed no later than each January 26 and August 1.

³ The settlement agreement was between KBPL, Agrium U.S. Inc., AIX Energy LLC, Chugach Electric Association, Inc., ENSTAR Natural Gas Company, A Division of SEMCO Energy, Inc., Homer Electric Association, Inc. and Alaska Electric Energy Cooperative, Inc., Matanuska Electric Association, Inc., Municipality of Anchorage, d/b/a Municipal Light and Power Department, Tesoro Alaska Company LLC, and the State of Alaska Office of the Attorney General, Regulatory Affairs & Public Advocacy Section.

⁴ P-16-004(4) *ORDER ACCEPTING SETTLEMENT AGREEMENT, APPROVING TARIFF SHEETS, REQUIRING FILING AND VACATING SUSPENSION OF TL35-668*, dated February 16, 2017.

⁵ Settlement Agreement, page 10 of 24, filed December 13, 2016.

⁶ See Letter Order L1700081, dated February 27, 2017.

⁷ See Letter Order L1900047, dated January 18, 2019.

Section 17.6 specifies, (a) KBPL will keep records showing, by month, (1) the LAUF and Fuel amounts experienced in the operation of its System, (2) the LAUF and Fuel amounts retained from or distributed to shippers under Section 17.7, and (3) the cumulative net over-or-under retention of LAUF and Fuel existing at the end of each month. At the time each semiannual revision under Section 17.5 is made, KBPL will adjust the amounts calculated under Section 17.5, by means of a "true up" that will be calculated to make up, over the coming twelve-month period, based on projected throughput volumes and Section 17.7 distributions, if any, any cumulative under- or over-retention existing at the end of the Base Period. The results of the calculations and adjustments described in this Section 17.6 are the adjusted LAUF and Fuel Retention percentages for the forthcoming period as referred to in Section 17.5. (b) At the time of each semiannual revision, KBPL provides the RCA and Shippers with the calculations used to determine the revised LAUF and Fuel Retention Amounts, including any adjustments for past cumulative over- or under-retentions as provided in this Section 17.6.

On July 26, 2021, KBPL filed TL58-668, for the period of July 2020 through June 2021, its semi-annual update of its Fuel and LAUF Retention Amounts which proposed a Fuel retention amount of 0.12% and a LAUF retention amount of 0.30%, stated separately on Tariff Sheet No. 82.1. This has the effect of decreasing the combined Fuel and LAUF from the existing level of 0.75% to 0.42%.⁸ On August 24, 2021, the Commission approved Tariff Sheet No. 82.1, filed July 26, 2021.⁹

Filing

On January 19, 2022, KBPL filed TL62-668, its semi-annual update of its Fuel and LAUF Retention Amounts which proposed a Fuel retention amount of 0.13% and a LAUF retention amount of 0.45%, stated separately on Tariff Sheet No. 82.1. This has the effect of increasing the combined Fuel and LAUF from the existing level of 0.42% to 0.58%.¹⁰ TL62-668 included a Workpaper Attachment, Tariff Sheet No. 82.1, and an Excel model which shows the historical and proposed recovery of Fuel retention and LAUF. KBPL

⁸ TL58-668 letter, page 1 of 6.

⁹ See Letter Order L2100299, dated August 25, 2021.

¹⁰ TL62-668 letter, page 1 of 6.

requested an effective date of March 1, 2022.¹¹ On January 28, 2022, KBPL supplemented the filing.¹²

Notice

TL62-668 was not publicly noticed because the Commission waived public notice for future filings¹³ made in accordance with Section 17 and revised Tariff filed in TL49-668.¹⁴ KBPL stated it has provided an electronic copy of TL62-668 to its shippers.¹⁵

Discussion and Analysis

Staff notes in TL62-668 KBPL is stating the amounts of Fuel and LAUF separately. Under Section 17.3 of KBPL's Tariff,¹⁶ the retention amount may be set out separately or stated as a combined retention amount. In accordance with Section 17.5 of its Tariff, KBPL calculated its proposed Fuel retention to be 0.13% and LAUF to be 0.45%¹⁷ for a combined total of 0.58%.¹⁸

Measurement Dispute

In TL58-668, KBPL noted it had ongoing measurement disputes with two customers (Marathon and Homer Electric Association (HEA)). As permitted by Section 5.6 of KBPL's Tariff¹⁹ KBPL made correcting adjustments to the referenced metered deliveries at the two locations,²⁰ thus preventing the meter inaccuracies from effecting the

¹¹ TL62-668 letter, page 1 of 6.

¹² See Kenai Beluga Pipeline, LLC Tariff Supplement re: Response to Staff's Questions, filed January 28, 2022.

¹³ See Letter Order L1900087, dated February 22, 2019.

¹⁴ See Letter Order L1900047, dated January 18, 2019 and Letter Order L1600076, dated February 19, 2016.

¹⁵ TL62-668, page 5 of 6.

¹⁶ Tariff Sheet No. 37.

¹⁷ The Workpaper Attachment shows 0.44%, Staff changed the decimal place in the Excel formula and it is 0.445%, which would be rounded to 0.45%.

¹⁸ TL62-668 Worksheet Attachment page 2 of 2.

¹⁹ Section 5.6 of the KBPL's tariff specifies:

In the event that Transporter determines, based on engineering analysis, that the measurement equipment of an Interconnecting Person is materially inaccurate, and the Interconnecting Person does not demonstrate to Transporter's reasonable satisfaction, which may include by means of flow calibration, that its measuring equipment is accurate, then the owner or operator of the inaccurate meter shall take action to correct the inaccuracy. Which may include, but is not limited to upgrading or replacing the inaccurate meter. In the event Transporter determines that measuring equipment of an Interconnecting Person is inaccurate, Transporter may make pro forma correcting adjustments to measured receipts and deliveries. In the event that sufficient corrective actions are not taken in a timely manner and/or the measurement inaccuracies persist, the Transporter may, in its sole discretion reasonably exercised, discontinue receipts or deliveries from or to the inaccurate meter, upon fifteen days prior written notice, until such time as the meter is reading accurately.

²⁰ TL58-668, page 4 of 6.

LAUF to be recovered in that filing.²¹ KBPL made adjustments in the months of January 2021 (25,200 Mcf) and April 2021 (150,573 Mcf) to the “Sum of Delivered Meter Vol” column included in the Workpaper Attachment filed in TL58-668.²²

Staff notes in TL58-668 Marathon had not filed a formal dispute, however HEA had initiated a formal dispute resolution under Section 26.2 of KBPL’s Tariff.²³ KBPL advised it had no previous experience with dispute resolutions under Section 26.2. KBPL and HEA have agreed on a single expert to who the dispute has been referred and have collaboratively agreed on the expert’s scope of work which was provided to the expert on August 4. At that time the expert had not provided an estimate of when the proceeding would be finished. KBPL advised it would initially pay for the costs and fees of the expert. As provided in Section 26.2, the expert would assign the costs of the proceeding to KBPL and HEA, based on the relative merits of their respective positions as determined by the expert. If KBPL’s costs are not reimbursed, they will be borne by the pipeline and treated by KBPL as part of its operating expense.²⁴ Staff also noted Section 26.2, states “... A party dissatisfied with the judgement of the expert(s) so selected may refer the dispute to the RCA for resolution.”²⁵

Lastly, in TL58-668, KBPL explained that if the disputed adjustments are reversed, in whole or part, the result would be that the adjustment volumes would be restored to the status of the systemwide LAUF. The restored LAUF would be added to the cumulative LAUF total shown on the workpaper and would increase the amount of LAUF to be recovered in the future filing under Section 17 of the tariff.²⁶

In TL62-668, KBPL advised both customers have now initiated formal dispute resolution procedures under Section 26.2.²⁷ Per Staff’s request, KBPL advised on August 13, 2021, Marathon provided notice of its initiation of the formal dispute resolution process. KBPL explained the two disputes are separate and will be handled and decided separately. For reasons of cost and efficiency, Marathon decided to use the same expert

²¹ Staff Memo for TL58-668, page 7 of 8 (TR2104492).

²² Staff Memo for TL58-668, page 7 of 8 (TR2104492).

²³ See Schedule BKC-2.

²⁴ Staff Memo for TL58-668, page 6 of 8 (TR2104492).

²⁵ Staff Memo for TL58-668, page 6 and 7 of 8. For more in-depth details on the dispute see Staff Memo for KBPL, TL58-668, dated August 25, 2021 (TR2104492).

²⁶ Staff Memo for TL58-668, page 7 of 8 (TR2104492).

²⁷ TL62-668, page 4 of 6.

as HEA.²⁸

Staff reminded KBPL that in TL58-668 it had advised that on August 4, 2021, an expert had been provided the scope of work. Staff asked what the status was and if a timeline had been provided. KBPL advised unforeseen delays and difficulties were encountered in negotiating, finalizing, and executing the agreement with the expert. The difficulties have been resolved and the expert has been retained. There is one agreement with the expert with two scopes of work. KBPL is waiting to receive a finalized scope of work from the expert for the Marathon dispute. Once confidentiality agreements have been agreed and executed, the work can begin in both proceedings. KBPL advised there is no current timeline, but progress continues to be made to move the disputes forward.²⁹

As stated earlier, KBPL made the disputed correcting adjustments in January 2021 and in April 2021. These adjustments were included in TL58-668 and no new adjustments were done in TL62-668. Staff asked KBPL to confirm no other adjustments will be made until a decision is made by the expert handling the dispute. KBPL confirmed no other adjustments will be made pertaining to the disputed volumes unless such adjustments are warranted by the expert's finding.³⁰

LAUF and Fuel Retention Calculation

KBPL provided the following data on its Workpaper Attachment filed with TL62-668 for the 12-month period of January 2021 through December 2021: Metered receipt volumes of 45,218,691 Mcf; Fuel use volumes of 60,663 Mcf; and LAUF volumes of 140,389 Mcf. The combined total of Fuel and LAUF volumes equals 201,052 Mcf or 0.44%.³¹ At the end of December 2021, there was a cumulative under-retention for LAUF of 61,816 Mcf. Pursuant to Section 17.6 of its Tariff, KBPL trued up 2021 to make up, over twelve months, the under-retention existing at the end of December 2021.³²

²⁸ See Kenai Beluga Pipeline Response to Staff's Questions, dated January 28, 2022.

²⁹ See Kenai Beluga Pipeline Response to Staff's Questions, dated January 28, 2022.

³⁰ See Kenai Beluga Pipeline Response to Staff's Questions, dated January 28, 2022.

³¹ TL62-668 Worksheet Attachment page 2 of 2.

³² TL62-668, page 3 and 4 of 6.

Staff recalculated the proposed Retention percentage as follows:

Calculation for 12-months ending December 2021	Fuel Mcf	LAUF Mcf	Total
Actual Use	60,663	140,389	201,052
Cumulative Balance (Under Retention)		(61,816)	(61,816)
Total to be Retained (Actual Use - Under Retention)	60,663	202,205	262,868
Receipt volumes	45,218,691	45,218,691	45,218,691
Total to be Retained/ Receipt volumes	0.13%	0.45%	0.58%
Proposed Percentage	0.13%	0.45%	0.58%

Tariff Sheet

KBPL filed a revised Tariff Sheet No. 82.1 reflecting a Fuel Retention Amount of 0.13% and LAUF Retention Amount of 0.45%. Staff verified the retention amounts were calculated correctly and the effective date is as specified in Section 17.5 of KBPL's Tariff.


Conclusion

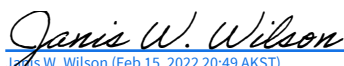
Staff recommends the Commission approve Tariff Sheet No. 82.1, filed on January 19, 2022, with an effective date of March 1, 2022.

Signature: 
Email: bob.pickett@alaska.gov

Signature: 
Keith Kurber II (Feb 14, 2022 08:02 AKST)
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Signature: 
Email: antony.scott@alaska.gov

Signature: 
Daniel Sullivan (Feb 15, 2022 13:13 AKST)
Email: daniel.sullivan@alaska.gov

Signature: 
Janis W. Wilson (Feb 15, 2022 20:49 AKST)
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Sixth Revision of
Cancelling
Fifth Revision of

Sheet No. 82.1
Sheet No. 82.1

RECEIVED
JUL 26 2021

STATE OF ALASKA
REGULATORY COMMISSION OF ALASKA

Kenai Beluga Pipeline, LLC

Fuel and Lost and Unaccounted For Gas Retention Amounts

The following retention amounts are retained from shipments for Lost and Unaccounted For Gas and For Fuel.

Lost and Unaccounted For Gas Retention Amount: 0.30% (zero point thirty percent) of Gas received from Shipper at the Receipt Point. R

Fuel Retention Amount: 0.12% (zero point twelve percent) of Gas Received from Shipper at the Receipt Point. R

Tariff Advice No. TL 58-668

Effective: September 1, 2021

Issued by: Kenai Beluga Pipeline, LLC

By: Andrew Limmer
Andrew Limmer

Title: Vice President

RCA No. 668

Seventh Revision of
Cancelling
Sixth Revision of

Sheet No. 82.1
Sheet No. 82.1



Kenai Beluga Pipeline, LLC

Fuel and Lost and Unaccounted For Gas Retention Amounts

The following retention amounts are retained from shipments for Lost and Unaccounted For Gas and For Fuel.

Lost and Unaccounted For Gas Retention Amount: 0.45% (zero point forty-five percent) of Gas received from Shipper at the Receipt Point. I

Fuel Retention Amount: 0.13% (zero point thirteen percent) of Gas Received from Shipper at the Receipt Point. I

Tariff Advice No. TL 62-668

Effective: March 1, 2022

Issued by: Kenai Beluga Pipeline, LLC

By: Andrew Limmer
Andrew Limmer

Title: Vice President

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STATE OF ALASKA
REGULATORY COMMISSION OF ALASKA**Kenai Beluga Pipeline, LLC****SECTION 25 GOVERNMENT REGULATIONS**

25.1 The Rules and Regulations, any Rate Schedule to which they apply and any executed Transportation Agreements, Interconnection Agreements, and OBA's, are subject to all valid laws, orders, rules, and regulations of duly constituted authorities having jurisdiction. Nothing in this Tariff limits the right of any Person to submit any dispute to the Regulatory Commission of Alaska, other than the requirement of Section 26.2 that disputes relating to measurement be first submitted to an independent expert prior to any submission of the dispute to the RCA.

SECTION 26 COMPLAINT RESOLUTION

26.1 The following procedures shall be used to address and resolve complaints by Shippers, Interconnecting Persons, and potential shippers. Transporter urges all such Persons to first discuss matters of concern with Transporter on an informal basis before submitting a formal complaint to Transporter. A Shipper, Interconnecting Person, or potential shipper may submit a formal complaint in writing to

Pipeline Manager
Kenai Beluga Pipeline, LLC
3800 Centerpoint Drive, Suite 1400
Anchorage, Alaska 99503
E-Mail: ejaroch@hilcorp.com

Transporter will respond promptly and will endeavor to resolve the issues on a timely basis.

26.2 Whenever there arises a dispute about the accuracy of measurements or measurement equipment under Sections 5.4, 5.6, 9.5, or 9.6, and such dispute is not resolved informally under Section 26.1, the dispute shall be submitted to a recognized technical consultant expert(s) for a decision. The parties to the dispute shall endeavor to agree on a single technical consultant expert to whom the dispute shall be submitted. In the event the parties to the dispute cannot agree on the identity of an expert, the dispute shall be submitted to a panel of three consultant experts, all of whom shall be recognized experts in Natural Gas measurement issues, who routinely analyze data and deal with issues like those in dispute, and none of whom shall be an employee of or current consultant to a party to the dispute. The Transporter shall appoint one member of the panel and the party(ies) in disagreement with the Transporter shall appoint a second member of the Panel. The two experts so selected shall appoint the third member. The costs of the determination by the expert or the panel shall be apportioned by the expert or the panel in accordance with the relative merits of the parties' positions. A party dissatisfied with the judgment of the expert(s) so selected may refer the dispute to the RCA for resolution.

Pursuant to P-14-025(3)

Effective: November 1, 2014

Issued by: Kenai Beluga Pipeline, LLC

By: _____

Edmund J. Jaroch

Title: Vice President and Pipeline Manager